

Message Text

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64/50

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 INT-08 STR-08 FEA-02 AID-20

CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01

OMB-01 DRC-01 /142 W

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R 071115Z SEP 74

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9247

INFO AMEMBASSY BRUSSELS

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C O R R E C T E D C O P Y (PARA 3)

DEPT PASS EXIMBANK

E.O. 11652: N/A

TAGS: EINV

SUBJECT: ZAIRE AND REYNOLDS REACH FURTHER AGREEMENTS
ON ALUMINUM INDUSTRY

1. AFTER WEEK OF INTENSIVE NEGOTIATIONS, REYNOLDS TEAM HEADED BY RICE AND KEATING SIGNED TWO AGREEMENTS WITH GOZ SEPTEMBER 6 TO SET UP TWO JOINTLY OWNED COMPANIES (FIFTY PERCENT REYNOLDS,FIFTY PERCENT GOZ). FIRST COMPANY, ZAIRE BAUXITE, WILL DEVELOP BAUXITE DEPOSITS IN BAS ZAIRE NOT FAR FROM INGA HYDROELECTRIC COMPLEX, AND WILL CONSTRUCT ALUMINA PLANT. SECOND COMPANY, ZAIRE REYNOLDS ALUMINIUM, WILL CONSTRUCT PLANT TO CONVERT ALUMINA INTO ALUMINIUM. DEAL ALSO CALLS FOR EARLY CONSTRUCTION OF SILICON PLANT IN WHICH REYNOLDS IS ESPECIALLY INTERESTED. THIS COULD INVOLVE CREATION OF THIRD COMPANY.

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2. GOZ OBTAINED FROM BELGIAN FIRM TRACTION ET

ESLECTRICITE DETAILED DATA ON NUMEROUS GEOLOGIC BORINGS
MADE IN 1958 AND 1959 FOR A CONSORTIUM, ALUINGA, IN
WHICH REYNOLDS, KAIZER, ALCOA AND OTHERS PARTICIPATED.
WHILE OTHER BORINGS MAY BE NECESSARY, PRELIMINARY
EXAMINATION OF DETAILED DATA CONVINCED REYNOLDS THAT
ENOUGH BAUXITE OF SUFFICIENTLY HIGH GRADE WAS AVAILABLE
TO MAKE PROJECT ECONOMICALLY FEASIBLE. AGREEMENTS
ALSO STIPULATE THAT ELECTRIC POWER WILL BE FURNISHED
AT AN ECONOMIC RATE. FURTHER STUDIES BY
GOZ AND NEGOTIATIONS WILL BE REQUIRED TO FIX PRECISE
FIGURS. ADDITIONAL NEGOTIATIONS ALSO WILL BE NECESSARY
ON NUMBER OF TAX QUESTIONS.

3. REYNOLDS HAS ALREADY HAD PRELIMINARY CONTACTS
WITH EXIMBANK. COMPANY WILL NOW STEP UP EFFORTS WITH
VIEW OF OBTAINING PRELIMINARY LETTER OF COMMITMENT
ASAP. RICE ESTIMATES TOTAL COST OF TWO VENTURES TO
BE CIRCA \$600 MILLION.

4. DIRECTOR OF PRESIDENCY BISENGIMANA AT SIGNING
CEREMONY STATED: GOZ PLEASED TO COOPERATE WITH
COMPANY OF REYNOLD'S STATURE; GOZ FAMILIAR WITH
EXIMBANK REQUIREMENTS AND WOULD COOPERATE FULLY;
AGREEMENTS WERE SYMBOL OF US ZAIRIAN FRIENDSHIP AS
MUCH AS COMMERCIAL DEAL. DECONTROL UPON RECEIPT.
HINTON

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, AGREEMENTS, NEGOTIATIONS, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINSHA07637
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740250-0540
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740966/aaaacdqs.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by collinp0>; APPROVED <27 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ZAIRE AND REYNOLDS REACH FURTHER AGREEMENTS ON ALUMINUM INDUSTRY
TAGS: EINV, EIND, CG, REYNOLDS ALUMINUM
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005